



Carolinas

LAW DEPARTMENT

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June 29, 2007

VIA E-FILING AND OVERNIGHT DELIVERY

The Honorable Charles L. A. Terreni
Chief Clerk and Administrator
The Public Service Commission of South Carolina
P. O. Drawer 11649
Columbia, South Carolina 29211

**Re: Duke Energy Carolinas, LLC's Annual Reconciliation Report of
Published Financial Statements**


Dear Mr. Terreni:

Please find enclosed for filing Duke Energy Carolinas, LLC's annual reconciliation of differences in its Balance Sheet and Income Statement in the SEC Annual Report, the FERC Form 1 equivalent, and NCUC Form E.S.-1 Report. This reconciliation is provided pursuant to the terms of the October 22, 2002 Settlement Agreement entered into by Duke Energy Carolinas, LLC and the Commission staffs of the Public Service Commission of South Carolina and the North Carolina Utilities Commission to resolve matters within the scope of the independent accounting review completed by Grant Thornton, LLP.

PLEASE NOTE THAT THESE DOCUMENTS ARE AN EXACT DUPLICATE, WITH THE EXCEPTION OF THE FORM OF THE SIGNATURE, OF THE E-FILED COPY SUBMITTED TO THE COMMISSION IN ACCORDANCE WITH ITS ELECTRONIC FILING INSTRUCTIONS.

Please contact me if you have any questions.

Sincerely,


Catherine E. Heigel
Assistant General Counsel

Enclosure

cc: John W. Flitter
South Carolina Office of Regulatory Staff

Tie-out for Duke Energy Carolinas, LLC 10-K Balance Sheet to the FERC Form 1 Equivalent for Duke Energy Carolinas, LLC to Duke Energy Carolinas, LLC NCUC E.S.-1

Balance Sheet

In Millions

December 31, 2006

	Duke Energy Carolinas, LLC 10-K	Less: Eastover & Claiborne	Less: Eliminations	Less: NPL	Less: Proforma Entries Excluded from Form 1	Adjusted Duke Energy Carolinas, LLC 10-K	Reclassifications & Adjustments	FERC Form 1 Equivalent for Duke Energy Carolinas, LLC	Reclassifications & Adjustments	Duke Energy Carolinas, LLC NCUC E.S.-1 Schedule 5
Current Assets	1,708	-		(19)	(93)	1,596	(34)	1,562	(563)	999
Investments and Other Assets	2,861	(5)	150	43	53	3,102	(956)	2,146	(235)	1,911
PP&E	14,319	-	-	(246)	(1,039)	13,034	(80)	12,954	505	13,459
Regulatory Assets & Deferred Debits	1,209	-	-	(5)	-	1,204	3,066	4,270	(2,045)	2,225
Total Assets	20,097	(5)	150	(227)	(1,079)	18,936	1,996	20,932	(2,338)	18,594
	1									
Current Liabilities	1,627	3	-	(16)	(293)	1,321	43	1,364	(1,142)	222
Long Term Debt	5,044	-	-	(31)	220	5,233	(1)	5,232	(220)	5,012
Deferred Credits and Other Liabilities	7,446	(3)	-	(35)	(1,006)	6,402	1,956	8,358	(486)	7,872
Total Liabilities	14,117	-	-	(82)	(1,079)	12,956	1,998	14,954	(1,848)	13,106
Minority Interest	-	-	-	-	-	-		-		-
Preferred Stock	-	-	-	-	-	-		-		-
Total Equity	5,980	(5)	150	(145)	-	5,980	(2)	5,978	(490)	5,488
Total Liabilities & Equity	20,097	(5)	150	(227)	(1,079)	18,936	1,996	20,932	(2,338)	18,594

The purpose of this schedule is to provide a reconciliation of the differences in the Balance Sheet in the SEC Annual Report and the FERC Form 1 Equivalent for Duke Energy Carolinas, LLC for regulatory purposes.

December 31, 2006 In Millions	10-K	Form 1	Difference	Items to add to (deduct from) 10-K to tie to Form 1		
Current Assets	1,596	1,562	(34)			
				10 Account	0158110	Emission Allowances from Investments & Other Assets
				(39) Account	0190008	Deferred Federal Tax Asset - Current to Deferred Credits & Other
				(8) Account	0190009	Deferred State Income Tax - Current to Deferred Credits & Other
				3		Miscellaneous
				(34)		Total
Investments and Other Assets	3,102	2,146	(956)			
				88 Per Form 1		Nonutility Property reported as PP&E in 10-K
				(9) Per Form 1		Accum Depr on Nonutility Property reported as PP&E in 10-K
				(1,020) Account	0186060	Asbestosis I&D (Def Debits for Form 1)
				(10) Account	0158110	Emission Allowances to Current Assets
				(6) Account	0254220	Regulatory Liability Emission Swap to Deferred Credits & Other
				1		Miscellaneous
				(956)		Total
PP&E	13,034	12,954	(80)			
				(88) Per Form 1		Nonutility Property reported as PP&E in 10-K
				9 Per Form 1		Accum Depr on Nonutility Property reported as PP&E in 10-K
				(1)		Other
				(80)		Total
Regulatory Assets & Deferred Debits	1,204	4,270	3,066			
				1,020 Account	0186060	Asbestosis I&D from Investments and Other Assets
				138 Account	0254100	Regulatory Liab/Inc Tax (Liab per Form 1, netted w/asset per 10-K)
				1,907 Accounts	190XXX	Accum Def Inc Tax (under Curr Assets & Curr Liab per 10-K)
				1		Miscellaneous Other Deferred Debits
				3,066		Total
Total Assets	18,936	20,932	1,996			
Current Liabilities	1,321	1,364	43			
				43 Account	0242430	Catawba Joint Owners Work Cap Fund (Def Credits per 10-K)
				43		Total
Long Term Debt	5,233	5,232	(1)			
				(1)		Miscellaneous
				(1)		Total
Deferred Credits and Other Liabilities	6,402	8,358	1,956			
				138 Account	0254100	Reg Liab/Inc Tax (Liab per Form 1, netted w/asset per 10-K)
				1,907 Accounts	190XXX	Accum Def Inc Tax (Liab per 10-K, netted w/larger liab)
				(39) Account	0190008	Def Fed Tax Asset - Curr (Curr Assets per 10-K)
				(8) Account	0190009	Def State Inc Tax - Curr (Curr Assets per 10-K)
				(43) Account	0242430	Catawba Joint Owners Work Cap Fund (Curr Liab per Form 1)
				6 Account	0254220	Regulatory Liability Emission Swap from Investments and Other Assets
				(5)		Miscellaneous
				1,956		Total
Total Liabilities	12,956	14,954	1,998			
Minority Interest	-	-	-			
Preferred Stock	-	-	-			
Total Equity	5,980	5,978	(2)			
				(1)		Immaterial eliminations due to restructuring
				(1)		Miscellaneous
				(2)		Total
Total Liabilities & Equity	18,936	20,932	1,996			

The purpose of this schedule is to provide a reconciliation of the differences in the Balance Sheet in the FERC Form 1 Equivalent for Duke Energy Carolinas, LLC and the Duke Energy Carolinas, LLC NCUC E.S.-1 Schedule 5 for regulatory purposes.

December 31, 2006 In Millions	Form 1	NCUC E.S.-1	Increase (Decrease)	Items to add to (deduct from) Form 1 to tie to NCUC E.S.-1 Schedule 5
Current Assets	1,562	999	(563)	(562) Inventory reported as Materials & Supplies and included in PP&E on E.S.-1 (61) Debit balance unbilled fuel revenue reported as Other Liabilities on E.S.-1 (34) Debit balance taxes accrued reported as Other Liabilities on E.S.-1 41 Current portion of trustee draw downs on pollution control debt reported as other Property and Investments on Form 1 53 NC workers compensation deposit reported as Other Property and Investments on Form 1 <u>(563) Total</u>
Investments and Other Assets	2,146	1,911	(235)	(145) Remove NP&L 4 Remove OCI (41) Current portion of trustee draw downs on pollution control debt reported as Current Assets on E.S.-1 (53) NC workers compensation deposit reported as Current Assets on E.S.-1 <u>(235) Total</u>
PP&E	12,954	13,459	505	562 Inventory reported as Current Assets on Form 1 (57) Account 0254991 ARO Reg Liab - Book Depr reported as PP&E (Accumulated Depreciation) on E.S.-1 <u>505 Total</u>
Regulatory Assets & Deferred Debits	4,270	2,225	(2,045)	(1,907) Account 190 ADIT netted against Accounts 282 and 283 ADIT on E.S.-1 (138) Account 0254100 Regulatory Liability-Inc Tax reported as Deferred Credits on E.S.-1 <u>(2,045) Total</u>
Total Assets	20,932	18,594	(2,338)	
Current Liabilities	1,364	222	(1,142)	(1,364) Account 231-245 reported as Other Liabilities on E.S.-1 222 Long-Term Debt reported as Short-term Obligations on E.S.-1 <u>(1,142) Total</u>
Long Term Debt	5,232	5,012	(220)	(220) Current portion of long-term debt reported as Long-Term Debt on Form 1 <u>(220)</u>
Deferred Credits and Other Liabilities	8,358	7,872	(486)	(1,907) Account 190 ADIT netted against Account 282 and 283 ADIT on E.S.-1 1,364 Account 231-245 reported as Other Liabilities on E.S.-1 (222) Long-Term Debt reported as Short-term Obligations on E.S.-1 (138) Account 0254100 Regulatory Liability-Inc Tax reported as Deferred Credits on E.S.-1 (57) Account 0254991 ARO Reg Liab - Book Depr reported as PP&E (Accumulated Depreciation) on E.S.-1 350 Equitization of intercompany advances not reported on E.S.-1 220 Current portion of long-term debt reported as Long-Term Debt on Form 1 (61) Debit balance unbilled fuel revenue reported as Other Liabilities on E.S.-1 (34) Debit balance taxes accrued reported as Other Liabilities on E.S.-1 <u>(485) Total</u>
Total Liabilities	14,954	13,106	(1,848)	
Minority Interest	-	-	-	
Preferred Stock	-	-	-	
Total Equity	5,978	5,488	(490)	(145) Remove NP&L 4 Remove OCI (350) Equitization of intercompany advances not reported on E.S.-1 <u>(491) Total</u>
Total Liabilities & Equity	20,932	18,594	(2,338)	

Tie-out for Duke Energy Carolinas, LLC 10-K Income Statement to the FERC Form 1 Equivalent for Duke Energy Carolinas, LLC to Duke Energy Carolinas, LLC NCUC E.S. - 1

Income Statement
In Millions
December 31, 2006

	Duke Energy Carolinas, LLC 10-K	Less: Duke Capital	Less: DE Merchants	Less: Eastover & Claiborne	Less: Eliminations	Adjusted Duke Energy Carolinas, LLC 10-K	NPL	Earnings of Subs	Income Taxes included in Other Income	Income Taxes included in Electric Expenses	Reclassifications & Adjustments	FERC Form 1 Equivalent for Duke Energy Carolinas, LLC	Reclassifications & Adjustments	Duke Energy Carolinas, LLC NCUC E.S.-1 Schedule 4
Total Operating Revenues	5,442	-	-	-	(4)	5,446	(98)				31	5,379	(3)	5,376
Total Operating Expenses	4,353	-	(3)	-	(6)	4,362	(77)			296	(90)	4,491	(31)	4,460
Gain (Loss) on sale of assets	-	-	-	-	-	-	-				-	-		-
Total Operating Income	1,089	-	3	-	2	1,084	(21)	-	-	(296)	121	888	28	916
Other Income and Expenses	98	-	(1)	2		97	-	202	17		(121)	195	(337)	(142)
Interest Expense	299	-	-	-	-	299	(2)					297	(3)	294
Earnings of subsidiaries	-	-	-	-		-	-					-		-
Minority Interest	-	-	-	-	-	-	-					-		-
Income Taxes	287	-	-	1	-	286	(7)		17	(296)		-		-
Discontinued Operations	186	221	(35)	-	-	-	-					-		-
Cumm change in acctg princ.	-	-	-	-	-	-	-	-	-	-	-	-		-
Net Income	787	221	(33)	1	2	596	(12)	202	-	-	-	786	(306)	480

The purpose of this schedule is to provide a reconciliation of the differences in the Income Statement in the SEC Annual Report and the FERC Form 1 Equivalent for Duke Energy Carolinas, LLC for regulatory purposes.

Year Ended December 31, 2006 In Millions	10-K	Form 1	Increase (Decrease)	Items to add to (deduct from) 10-K to tie to Form 1
Total Operating Revenues	5,446	5,379	(67)	<u>(98)</u> Remove NP&L <u>47</u> Sales to NP&L on Duke's Books <u>(12)</u> MOX Fuel Project Revenues to Other Income and Expenses <u>(6)</u> Unregulated Products & Svcs Revenues to Other Income and Expenses <u>2</u> Realized Derivative Losses to Other Income and Expenses <u>31</u> Subtotal <u>(67)</u> Total
Total Operating Expenses	4,362	4,491	129	<u>(77)</u> Remove NP&L <u>296</u> Income taxes included in electric expenses <u>47</u> Purchases from Duke on NP&L's Books <u>(82)</u> Management Fees to Other Income and Expenses <u>(27)</u> Donations to Other Income and Expenses <u>(10)</u> MOX Fuel Project Expenses to Other Income and Expenses <u>(9)</u> Unregulated Products & Svcs Expenses to Other Income and Expenses <u>(2)</u> Affiliate Support from Operating Expenses to Other Income and Expenses <u>(7)</u> Other <u>(90)</u> Subtotal <u>129</u> Total
Gain (Loss) on sale of assets	-	-	-	
Total Operating Income	1,084	888	(196)	
Other Income and Expenses	97	195	98	<u>202</u> Earnings of subsidiaries included in Other Income and Expenses <u>17</u> Income taxes included in Other Income and Expenses <u>(82)</u> Management Fees from Operating Expenses <u>(27)</u> Donations from Operating Expenses <u>12</u> MOX Fuel Project Revenues from Operating Revenues <u>6</u> Unregulated Products & Svcs Revenues from Operating Revenues <u>(10)</u> MOX Fuel Project Expenses from Operating Revenues <u>(9)</u> Unregulated Products & Svcs Expenses from Operating Revenues <u>(2)</u> Realized Derivative Losses from Operating Revenues <u>(2)</u> Affiliate Support from Operating Expenses <u>(7)</u> Other <u>(121)</u> Subtotal <u>98</u> Total
Interest Expense	299	297	(2)	<u>(2)</u> Remove NP&L <u>(2)</u> Total
Earnings of subsidiaries	-	-	-	
Minority Interest	-	-	-	
Income Taxes	286	-	(286)	<u>(7)</u> Remove NP&L <u>17</u> Income taxes included in Other Income and Expenses <u>(296)</u> Income taxes included in electric expenses <u>(286)</u> Total
Discontinued Operations	-	-	-	
Cumm change in acctg princ.	-	-	-	
Net Income	596	786	190	

The purpose of this schedule is to provide a reconciliation of the differences in the Income Statement in the FERC Form 1 Equivalent for Duke Energy Carolinas, LLC and the Duke Energy Carolinas, LLC NCUC E.S.-1 Schedule 4 for regulatory purposes.

Year Ended December 31, 2006 In Millions	Form 1	NCUC E.S.-1	Increase (Decrease)	Items to add to (deduct from) Form 1 to tie to NCUC E.S.-1 Schedule 4
Total Operating Revenues	5,379	5,376	(3)	0.0 Realized Derivative Gains 0.0 NonCshFlow Hedge Exp (2.5) Realized Derivative Losses <u>(2.5) Total</u>
Total Operating Expenses	4,491	4,460	(31)	(1.0) Income taxes on revenue adjustments above (66.4) Reclassification of interest income on 1986-1998 IRS settlement 26.0 Income taxes on reclassification of interest income on 1986-1998 IRS settlement (0.4) Deferred income taxes on addback of PSCSC bond premiums writedown 3.1 Interest on customer deposits-NC 0.4 Interest on customer deposits-SC 7.6 Income taxes on interest synchronization <u>(30.7) Total</u>
Gain (Loss) on sale of assets	-	-	-	
Total Operating Income	888	916	28	
Other Income and Expenses	195	(142)	(337)	(11.8) Remove NP&L (293.8) Remove DEFS & DEGT January through March 2006 0.0 Realized Derivative Gains 0.0 NonCshFlow Hedge Exp 2.5 Realized Derivative Losses (1.0) Income taxes on revenue adjustments above (66.4) Reclassification of interest income on 1986-1998 IRS settlement 26.0 Income taxes on reclassification of interest income on 1986-1998 IRS settlement 7.6 Income taxes on interest synchronization <u>(336.9) Total</u>
Interest Expense	297	294	(3)	(3.1) Interest on customer deposits-NC (0.4) Interest on customer deposits-SC 1.1 Addback of PSCSC bond premium writedown <u>(2.4) Total</u>
Earnings of subsidiaries	-	-	-	
Minority Interest	-	-	-	
Income Taxes	-	-	-	
Discontinued Operations	-	-	-	
Cumm change in acctg princ.	-	-	-	
Net Income	786	480	(306)	